

# Memorandum

To: Panel Members  
Date: July 24, 2003

From: Diana Torres, Manager  
Peter DeMauro, General Counsel  
Analyst: C. Robinson

Subject: One-Step Agreement for **Arlon, Incorporated**  
(www.arlon.com)

## CONTRACTOR:

- Training Project Profile: Retraining: Companies with Out-of-State Competition
- Legislative Priorities: Promotion of California's Manufacturing Workforce  
Moving to a High Performance Workplace  
Stimulating Exports/Imports
- Type of Industry: Manufacturing
- Repeat Contractor: Yes
- Contractor's Full Time Employees:
  - Company Wide: 768
  - In California: 242
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

## CONTRACT:

- Program Costs: \$78,416
- Substantial Contribution: \$0
- Total ETP Funding: \$78,416
- In-Kind Contribution: \$106,220
- Reimbursement Method: Fixed-Fee
- County (ies) Served: Orange
- Duration of Agreement: 24 Months

**SUBCONTRACTORS:**

Spectra Business Improvement Systems, Incorporated of San Gabriel, California, \$10,194 for all project administration services.

**THIRD PARTY SERVICES:**

The Applicant states that Spectra Business Improvement Systems, Incorporated of San Gabriel, California, provided assistance with the development of the application, including a Training Needs Assessment, Training Plan, Curriculum, and other application requirements at no cost.

**PRIOR PROJECTS:**

The following are completed project statistics for ETP Agreements with this Contractor within the last five years:

Agreement No.	Location (City)	Term	Agreement Amount	Amount Earned	% Earned
ET9-0840	Santa Ana	08/06/98 – 08/05/00	\$26,000	\$13,832	53%

According to company representatives, Arlon added a large distributor, which increased sales by 20 percent during the term of this Agreement. As a result of increased production demands, it was difficult to pull employees from the manufacturing floor to take part in the training. Therefore, the company was unable to train as many retrainees as planned.

Subsequent to this Agreement, Arlon's recruitment plan has been revised. It now allows for the addition of production staff when unexpected increases in sales as well as production schedule changes occur. Company officials report that employees will be able to now attend their scheduled training despite unanticipated fluctuations in production demands.

**NARRATIVE:**

Under Title 22, California Code of Regulations (CCR), Section 4416(b), Arlon, Incorporated (Arlon), is eligible for ETP funding as an industrially classified manufacturer, retraining current employees in competition with other manufacturers located outside of California.

Arlon, founded in 1958, is a subsidiary of the Bairnco Corporation, located in Orlando, Florida. Headquartered in Santa Ana, California, the site of the proposed training Arlon employs 160. Arlon's Santa Ana facility, the site of the proposed training, specializes in coating and laminating materials for a wide variety of industrial markets. It formulates, casts, coats, converts packages and sells its vinyl film through its own distribution network to customers located worldwide. In addition, Arlon designs and manufactures materials that meet specific customer needs. These materials include visual impact for graphics; flexible and rigid flex printed circuit substrates for multi-layer printed circuit boards; automotive stripes and graphics; special laminates used as electrical insulators in motor and generator gaskets; weather stripping and window glazing; durable paper; thermal shields; adhesive systems for medical products, and films for solar connectors. Arlon's most recent development includes a new generation of vinyl graphic films known as Calon® II. The company reports that Calon® II allows fabricators, to cut, weed and transfer faster than other film products currently produced for large format signage. Arlon's major customers include a variety of companies including Fuddruckers, Denny's, Homebase and Albertsons.

**NARRATIVE (continued):**

Company representatives state that Arlon's position in the marketplace is constantly being contested by competition, both in the United States and abroad. In the last two years competition has increased tremendously from abroad. Manufacturers, such as Item Plastic Corp. in Taiwan, are now close competitors of Arlon. Foreign manufacturers have lower labor and overhead costs and can price their products accordingly. Company officials state that, to remain competitive with foreign manufacturers, Arlon must rely on its employees to a greater extent to continuously improve processes, identify problems and make decisions.

To maintain its place in the market and keep up with customer demands, Arlon must move toward becoming a high performance workplace by improving quality and delivery time, reducing waste, and increasing worker capabilities. To address Arlon's needs, including its goal to move to a high performance workplace, a training needs assessment was recently conducted. The results indicated that Arlon is deficient in overall employee involvement in work processes because current procedures are dictated by Managers rather than through teams. The major areas identified in the assessment that need development are: team building, communication skills, process improvement, problem solving, decision-making, waste reduction, and leadership skills.

**Continuous Improvement Skills**

To reach its goals, Arlon has determined that it must provide employees with stronger job skills through Continuous Improvement training. The proposed training plan focuses on Lean Enterprise, Six Sigma and Kaizen for the majority of Arlon's employees. Arlon anticipates that implementing Lean Enterprise skills will increase the level of each employee's ability to identify different types of waste in the production environment. The company states that empowering employees with the ability to identify value and non-value added activities within work processes will result in maximized production efficiency and improved quality. It expects that manufacturing costs will be reduced and on time delivery improved as a result of this training. Through the introduction of Six Sigma, employees will learn to define, measure and analyze current procedures to develop, design, and verify more effective work processes. Team Building Skills will increase the teamwork efforts between management and the front-line workforce to implement improved work processes. In addition, Managers will receive Kaizen strategies for improved leadership in a teamwork environment. The company states that the proposed training plan would allow its employees to work together in teams facilitating Arlon's goals of increased operating efficiency and its movement toward becoming a High Performance Workplace.

To meet these company-wide goals, Arlon developed a comprehensive training plan to train 122 of its 160 employees located at its Santa Ana facility. Those employees included in the training plan include 22 Managers and 100 front-line Administrative/Accounting, Customer Service, Engineering, Manufacturing, Research/Development/Technicians, Sales/Marketing and Material Handling/Shipping and Receiving employees. This plan includes a Curriculum with 48 to 56 hours of Class/lab training in Continuous Improvement Skills.

**NARRATIVE (continued):**

**Supplemental Nature of Training**

Arlon employees currently receive training in Safety, New-Hire Orientation and on-the-job skills training in manufacturing processes. The company will continue to provide similar ongoing training at its own expense during the term of the ETP contract.

In the previous ETP Agreement, which ended three years ago, the training included Total Quality Management (TQM), Statistical Process Control (SPC) and basic Leadership Skills for Managers. The prior training focused on statistical techniques, sources of variation, isolating variations, and use of control charts to analyze these variations. In addition, it also covered leadership and coaching methods for improved personal performance, behavioral modification and employee motivation techniques. Management System. Subsequent to the Agreement, Arlon continues to provide some leadership and TQM training in interviewing skills, sexual harassment prevention, performance reviews and counseling problem employees at its own expense.

The company states that the proposed training is different from any training provided in the past, in that it encompasses Improvement Skills training in Lean Principles focused to meet the company's stated goals of becoming a high performance workplace by improving quality and delivery time, reducing waste, and increasing worker capabilities in a team work environment.

The training proposed for this ETP Agreement has never been offered to these employees. Arlon has certified in writing that all of the proposed formal training is supplemental to training the company provides in the normal course of its business and would not occur in the form and manner described in the application without funds from ETP. Following the term of the proposed training plan, Arlon has committed to an expenditure of approximately \$70,272 for similar training in the 24 months following completion of ETP-funded training for its employees located in California.

**In-Kind Contribution**

Company representatives have certified that the company will invest \$106,220 for wages paid to retrainees during training.

**COMMENTS:**

Of the 122 proposed retrainees, 100 (78 percent) meet the definition of a frontline worker found in Title 22 CCR, Section 4400(ee)(1) and (3). The remaining 22 (18 percent) of the training population are Managers.

Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

**NARRATIVE (continued):**

Senior Policy Managers/Executive Level - Managers

The proposed Contractor certifies that no senior policy manager or executive level employees have been included in this training project.

**PROPOSED ACTION:**

Staff recommends that the Panel approve this proposal if funds are available providing the project meets Panel priorities based upon Arlon's stated need to provide employees with skills to enhance the company's ability to stay competitive, grow, and remain viable in the California economy.

**TRAINING PLAN:**

<b>Grp/Trainee Type</b>	<b>Types of Training</b>	<b>No. Retain</b>	<b>No. Class/Lab Videocnf. Hrs.</b>	<b>No. CBT Hrs.</b>	<b>No. SOST Hrs.</b>	<b>Cost per Trainee</b>	<b>Hourly Wage after 90 days</b>
Job Number 1- 2 Retrainees	Continuous Improvement	122	48 - 56	N/A	N/A	\$624 - \$728	*\$11.74 - \$45.45
					<b><u>Range of Hourly Wages</u></b>		
					*\$11.74 - \$45.45		
					<b><u>Prevalent Hourly Wage</u></b>		
					\$15.30		
					<b><u>Average Cost per Trainee</u></b>		
					\$643		
<b><u>Health Benefit used to meet ETP minimum wage:</u></b>					<b><u>Turnover Rate</u></b>	<b><u>% of Mgrs &amp; Supervisors to be trained:</u></b>	
* Health benefits of at least \$1.74 will be applied to the base wage in order to meet the ETP minimum wage requirement.					.8%	18%	

# **Arlon, Incorporated**

## **Menu Curriculum**

### **Class/Lab Hours**

**Job 1 - 56**

**Job 2 - 48**

Trainees will receive any of the following types of training:

### **Continuous Improvement Skills**

- Team Building Skills
- Lean Enterprise
- Kaizen Principles
- Six Sigma Methodology
- Empowerment and Delegation of Lean Environment Techniques